

G-010/CI-90-148 ORDER CONCLUDING INVESTIGATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of Midwest Gas
Service Extension Complaints

ISSUE DATE: April 1, 1991

DOCKET NO. G-010/CI-90-148

ORDER CONCLUDING INVESTIGATION

PROCEDURAL HISTORY

On April 23, 1990 the Commission, in response to five customer complaints, initiated an investigation into Midwest Gas Company's service extension practices. The Commission directed the Department of Public Service (the Department) to investigate the five service extensions complained of and the Company's general level of compliance with the terms of its service extension tariff.

On January 10, 1991 the Department filed its report and recommendation. The Department reported that the Company had not discriminated against the complaining customers and that the Company generally complied with the terms of its service extension tariff. The Department recommended requiring the Company to clarify its tariff regarding gas main construction charges. Finally, the Department recommended requiring the Company to change its method of calculating gas main construction charges to ensure that customers whose lots are smaller than average do not subsidize customers with larger than average lots.

On February 7, 1991 Midwest Gas filed its response. The Company supported the Department's recommendations, except the recommendation to revise its method of calculating gas main construction charges. The Company contended that lot sizes of customers served by the same gas main do not vary enough to justify the more complicated computations recommended by the Department.

The Department filed reply comments recommending that the Commission defer consideration of the subsidization issue until it takes up its generic inquiry into competition between gas

utilities.¹

None of the complaining customers filed comments.

The matter came before the Commission on March 26, 1991.

FINDINGS AND CONCLUSIONS

The Five Complainants

The five complaining customers live in Oak Grove and began receiving service from Midwest in late 1988. They stated that they paid higher service extension charges than customers in Oak Grove and St. Francis who began receiving service later. They also stated that new customers in St. Francis were offered credits for converting to natural gas appliances, while they were not. Complainants attributed these differences to the presence of competition between natural gas providers in St. Francis and the absence of competition in Oak Grove.

The Department and the Company demonstrated, however, that the Oak Grove customers and the St. Francis customers received service at different times under different tariffs. In both cases service extension charges were calculated properly under the existing tariff. The differences between the charges were due in part to a slight decline in service extension rates after the Oak Grove extensions and in part to the longer average length of the Oak Grove extensions.

Similarly, the Oak Grove customers were not offered credits for converting to gas appliances because the Company had not yet initiated its credit program. They do, however, qualify for credits now under the Company's ongoing program to encourage customers to convert to gas appliances.

The Commission accepts and adopts the Department's conclusions that Midwest Gas properly applied its service extension tariffs in the five cases at issue and that no relief is necessary.

Clarification of Tariff on Main Extensions

The Department recommended that the Company be required to reword its tariff to clarify that, in calculating charges for constructing new gas mains, it apportions total charges equally

¹ In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota, Docket No. G-999/CI-90-563.

between all customers who will receive service from the main. The current tariff language could be read to suggest that individual customers' charges will vary with the position of their lots along the main. The Company acquiesced in this recommendation.

The Commission agrees that the tariff should be clarified to apprise interested persons of the Company's actual practice and will so order.

Potential for Subsidization

The Department expressed equitable concerns about the Company's practice of apportioning gas main construction costs equally between all customers receiving service from the new main. The Department feared this could result in customers who owned smaller lots inadvertently subsidizing customers who owned larger lots. The Company viewed this as unlikely. Ultimately, the Department recommended considering this issue as part of the Commission's general inquiry into competition between natural gas utilities.

The Commission agrees that the ongoing generic inquiry is an appropriate vehicle for examining the subsidization issue, since it is generic rather than company-specific. The Commission will address the proper apportionment of main construction charges in the generic docket.

ORDER

1. Midwest Gas Company did not discriminate against the five customers whose complaints prompted this investigation, and the customers are not entitled to relief.
2. Within 30 days of the date of this Order, Midwest Gas Company shall file a new service extension tariff clarifying that, in calculating construction charges for new gas mains, it apportions total charges equally between all customers who will receive service from the main.
3. Consideration of the subsidization issue raised by the Department is deferred to the ongoing generic inquiry into competition between gas utilities, docket no. G-999/CI-90-563.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)